

First ISS SPOTTER® Automatic contract signed abroad General status

Dardilly, 14 November 2022 - 6 pm

1 – First sale of an ISS SPOTTER® Automatic system and focus on the DDSA branch: EBITDA balance is a realistic scenario for 2023

- **The DDSA branch (Delta Drone SA and its support subsidiaries in France) aims to achieve revenues of €5.9 million and a gross margin of €3.3 million (56%)**
- **At the same time, total operating expenses are reduced to €3.5 million (including €2.1 million in payroll)**
- **The major challenge today lies in the financing of the working capital linked to this very strong commercial start-up**

After a first system installation in France, this second project underway abroad confirms the commercial potential of the **ISS SPOTTER® Automatic** solution and could lead to several systems sold in the same geographical area.

A third installation (in France) is already scheduled for the first quarter of 2023. It will have the particularity of being part of a global project to secure an industrial site, combining human resources (security agents) and technological tool. This project is unparalleled in the world and foreshadows the future of the private security sector by combining people and technology, based on a unique and non-disruptive business model. It is now piloted by our subsidiary Delta Drone Human & Tech and perfectly concretizes our strategy of dronification of the private security sector.

Combined with the opening in early 2023 of our demonstration site in South Africa created in partnership with the University of Pretoria, this very positive commercial development could allow us to achieve our 2023 target, which is to market 9 systems, representing revenues of €1.1 million and a gross margin of €0.45 million (41%).

The second system in our range of "security" solutions, **ISS SPOTTER® Tethered** is also experiencing an acceleration in its commercial development.

First, several negotiations are advanced for sales of systems, mainly out of France, which could correspond to more than 10 units sold in the coming months.

Secondly, a training program has started within our subsidiary Delta Drone Human & Tech, aimed at building a team of security agents with the remote pilot license. This team will make it possible to offer, during sporting and cultural events that will be numerous in France from 2023, a complete "à la carte" service combining ISS SPOTTER® Tethered system and authorized operators. Our ambitions for 2023, which are based on current sales contacts and orders already recorded, correspond to 25 systems sold and 50 missions completed, representing revenues of €2.9 million and a gross margin of €1.7 million (59%).

The third and final system under our DDSA branch (Delta Drone SA and its support subsidiaries in France) is the **COUNTBOT®** automated inventory solution. In this area, we have set up a particular scheme, because of our partnership strategy with one of the main players in the sector worldwide: he is our exclusive customer, who is responsible for him either to resell the acquired systems or to offer them as services, the missions being in this case exclusively carried out by Delta Drone's teams. The first successful missions, including the very emblematic one on behalf of L'Oréal last September, confirm that **COUNTBOT®** is the most successful solution on the market, combining minimum completion time, success rate (decoding) greater than 99% and total safety of people and goods during warehouse missions.

Given sustained demand from a growing number of world-renowned manufacturers, our ambition for 2023 is to market 6 systems and carry out 60 missions, all representing revenues of €1.1 million and a gross margin of €0.45 million (42%).

The three systems proposed by the DDSA branch (ISS SPOTTER® Automatic and ISS SPOTTER® Tethered for the security sector, COUNTBOT® for the warehouse logistics sector) have been designed and developed for several years by our subsidiary "design office", the company Delta Drone Engineering based in Nantes. They are now operational and no longer require the same R&D investment, even if changes will be periodically proposed thanks to feedback from field experience.

For this reason, to support a sufficient workload and to succeed in transforming the design office into a profit center, we have worked in recent months to expand the R&D offer for customers outside the group, often as part of projects "derivative" of our own solutions.

Thanks to this new momentum, a first major project is in the start-up phase, which could absorb a large part of our engineers' working time. We have also increased opportunities to pool R&D efforts with several of our UDT holdings, thus completing the overall workload plan of the Design Office.

All these R&D activities should represent in 2023 "third-party" revenues of around €0.8 million and a gross margin of €0.7 million (85%), making it possible to fully self-finance our subsidiary Delta Drone Engineering.

In parallel with all these commercial developments, which could represent total revenues of around €5.9 million and a gross margin of around €3.3 million (56%) for the DDSA branch alone, a vigorous cost reduction action has been carried out, resulting in a significant reduction in the DDSA branch workforce and a planned reduction in several purchasing positions. Thanks to these actions, the 2023 payroll of the DDSA branch will be limited to €2.1 million (a reduction of more than half compared to the previous amount) and all other operating expenses will be reduced to €1.5 million, compared to €2.5 million previously, i.e., an overall operating expense of approximately €3.5 million.

However, the now realistic prospect of achieving EBITDA breakeven in 2023 requires financing the associated working capital requirement. This is now the main reason why Delta Drone must continue to raise sufficient funds.

This effort corresponds to only a few million, which unfortunately represents a very high dilution for the shareholder compared to the very low level of market capitalization. Obviously, a more "reasonable" level of market capitalization, better reflecting the size and position of the group as well as its promising prospects, would have the mechanical effect of greatly limiting the dilutive impact of the financing selected. In addition, the achievement of the objectives will have the immediate effect of significantly reducing the use of such financing, since the group will be in a positive cash flow situation.

The emerging nature of the drone sector does not seriously allow for the consideration of other types of more traditional financing, such as bank debt, especially since the latter would have the effect of generating financial charges likely to absorb the first positive cash flow.

2 – The other three branches of the group continue their development satisfactorily

- Through its operating subsidiaries, mainly **ATM Group Security**, the **DDHT (Delta Drone Human & Tech)** branch achieves sustainable revenues of more than €12 million, solidly based on multi-year contracts. It is profitable and an essential part of the group's strategy for the dronification of the security sector and for the success of inventory missions.
- The **DDI branch (Delta Drone International and its subsidiaries)** achieved revenues of approximately €4 million, consolidated its leading position in Africa and continued its development in Australia. It aims for a result close to balance in 2023.
- The **UDT branch** creates industrial synergies with the group and benefits from the successful fundraising of several of its investments: the value of the portfolio now exceeds €10 million.

In its historical private security business, the **DDHT branch** benefits from a market that is growing overall, boosted by the prospect of major sporting events that will take place in France in the coming years. However, the shortage of labour is becoming structural and the pressure on production costs (in particular the increase in wages in connection with the revaluation of the “SMIC”) penalizes the entire profession.

Faced with this contrasting environment, DDHT strives to strengthen its attractiveness for new staff, but also for existing employees, in particular thanks to the opportunities to benefit from training and to evolve towards better paid tasks.

As such, training, either to become an operator as part of COUNTBOT® missions, or to become a drone remote pilot are original and very differentiating professional opportunities.

Since the beginning of September, the acquisition of an additional 3% of the capital allows Delta Drone to hold today 58.2% of **Delta Drone International (DDI)**, a company listed on the ASX stock exchange in Sydney, Australia and whose market capitalization is around 10 MAU\$.

A few weeks ago (October 17, 2022), DDI's South African subsidiary Rocketmine Pty Ltd announced the signing of a 2-year contract of KAU\$516 with Rutenburg Platinum Mines Ltd Mogalakwena, a 100% subsidiary of the Anglo American mining group, consolidating its position as the African market leader in drone services for the mining industry.

Like the DDHT branch, DDI is part of a logic of multi-year contracts, thus contributing strongly to the sustainability of the group and its visibility in the medium term.

The DDI sub-group represents consolidated revenues of approximately €4 million and fully self-finances its development. It aims for a result close to balance for 2023.

Several of the companies in the **UDT portfolio** have strengthened their position in their respective markets, attracting the attention and interest of major international players. As a first-time investor, UDT systematically adopts a strategy of being at the side of the managers, in order to facilitate the conclusion of fundraising, while maintaining an active role as a member of the Management Committees.

At the same time, the mutual trust that has been forged over the years now makes it possible to start a process of pooling R&D expertise, a source of significant productivity for the group and for the companies in its ecosystem.

All information contained in this press release will be communicated by means of press releases as they are executed. Negotiations and contracts signed in the field of security (ISS SPOTTER® systems) concern the vast majority of large international groups and governments, for which strict confidentiality is required. As far as possible, however, information will be communicated to shareholders, particularly during future general meetings.

About Delta Drone: *The Delta Drone Group is a recognized international player in the sector of civil drones for professional use. It develops a range of professional solutions based on drone technology as well as all associated services that form a complete value chain.*

Delta Drone shares are listed on Euronext Growth Paris – ISIN code: FR0014009LP0

Also listed on Euronext Growth are BSA Y – ISIN code: FR 0013400991

www.deltadrone.com

Investor contacts:



Jerome Gacoin
+33 1 75 77 54 65
jgacoin@aelium.fr